

# RATED PG: parental guidance suggested

A Parent's Guide for Student Academic Achievement and Financial Assistance

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## Need Money For College?

Governor Mel Carnahan has consistently emphasized the importance of improving access to higher education. This past legislative session, Gov. Carnahan worked with the Missouri General Assembly to enact several new student financial assistance programs for Missouri citizens who plan to pursue education and training beyond high school. The following article provides a brief overview of these new state programs.

### *In this issue . . .*

In this issue of *RATED PG*, you will find information about the most-requested topic according to our annual surveys: student assistance. Since paying for your student's postsecondary education is one of your foremost concerns, we have dedicated this issue to this topic. We have included information about four new state student financial assistance programs recently enacted by the 1998 Missouri General Assembly and signed into law by Governor Carnahan, and we are introducing a new topic never before featured in *RATED PG* – financial literacy. Also, you will find a list of all the programs MOSTARS administers and a short glossary of financial assistance terms.

So, read on and learn about student assistance so that you can begin financial planning now.

*Enjoy!*

### → Bridge Scholarship Program

These scholarships will be awarded to Missouri residents who have demonstrated financial need and do not receive at least \$1,500 in nonrepayable funds from the combination of an estimated Federal Pell Grant, projected federal Hope Scholarship tax credit, and the state Charles Gallagher Student Financial Assistance Program. This program will "bridge" the difference between the combination of those student assistance programs. To be considered, students must complete the Free Application for Federal Student Aid (FAFSA). Became effective during the 1998-99 academic year.

- must be a Missouri resident enrolled full-time at an approved Missouri institution
- student must be enrolled in the 13th and 14th years of postsecondary education (freshman or sophomore)

### → Advantage Missouri Program

This program is designed to address statewide workforce needs by targeting high-demand occupational fields in Missouri. These high-demand occupational fields will be designated annually. Students entering or enrolled in academic programs related to these high-demand fields may apply for loans. Upon program or degree completion, the student will have one year of loans forgiven for each full year of employment in a designated high-demand occupational field in Missouri. Anticipated to be effective fall 1999.

- must be a Missouri resident enrolled full-time at an approved Missouri institution
- provides \$2,500 per year, maximum \$10,000 or 10 semesters
- student has one year to obtain employment in Missouri after graduation
- borrower must repay the loan funds with interest if employment obligation is not fulfilled

### → Missouri College Guarantee Program

These scholarship awards will be based on demonstrated financial need along with high school and college academic achievement. Anticipated to be effective fall 1999.

- requires a high school 2.5 grade-point average or higher on a 4.0 scale
- requires an ACT test score of 20 or higher

### → MOSTARS Higher Education Savings Program

This savings program allows individuals to establish state-sponsored savings accounts for qualified postsecondary education expenses. Contributions to these accounts, up to \$8,000 annually, and interest earnings will not be taxed by the state. Such accounts will also allow contributors to take advantage of certain federal tax incentives related to educational savings. Anticipated to be effective in 1999.

- funds can be used at any postsecondary institution eligible for federal financial aid
- contributors are not limited to parents (example: grandparent, aunt, uncle, or friend)
- contributor can change beneficiaries

**Additional information about these new student financial assistance programs will be available in spring 1999. If you have specific questions, please contact the MOSTARS Information Center at (800) 473-6757 or (573) 751-3940. See page 2 for more programs administered by MOSTARS.**

# Other programs administered by MOSTARS

## → Charles Gallagher Student Financial Assistance Program

Need-based grant for Missouri residents to attend an approved Missouri postsecondary institution full-time.

## → Bright Flight Scholarship

Merit-based scholarship to attract and encourage high school seniors to attend an approved Missouri postsecondary institution of their choice full-time.

## → Marguerite Ross Barnett Memorial Scholarship

Scholarship for Missouri residents who are attending a Missouri institution part-time and who are employed 20 or more hours per week.

## → Public Service Survivor Grant

Tuition grant for eligible Missouri residents who are dependent children or spouses of a public safety officer or Department of Transportation employee who was killed or permanently disabled in the line of duty.

## → Vietnam Veterans Survivor Grant

Tuition grant for Missouri residents who are survivors (child or spouse) of a Vietnam veteran whose death was attributed to or caused by exposure to toxic chemicals during the Vietnam conflict.

## → Midwest Student Exchange Program

Reduced tuition rate for Missouri residents who enroll in designated degree programs at participating institutions in Kansas, Michigan, Minnesota and Nebraska.

## → Subsidized Federal Stafford Loan

Need-based loan available to eligible undergraduate and graduate students. Generally, the federal government pays the interest as long as the borrower is enrolled at least half-time, and during the borrower's six-month grace period and authorized deferment periods.

## → Unsubsidized Federal Stafford Loan

A loan that is not need-based, but has the same terms and conditions as a subsidized Federal Stafford Loan except the borrower is responsible for all interest payments.

## → Federal Parent Loan for Undergraduate Students (PLUS)

Allows a parent to borrow a guaranteed, non need-based loan for their dependent student.

## → Federal Consolidation Loan

An option for those who wish to combine all of their eligible types of student loans into one loan and make one payment to a single holder.

**For more free information about any of these programs, please contact the MOSTARS Information Center at (800) 473-6757 or (573) 751-3940.**

**(800) 473-6757**

**Call our  
MOSTARS  
Information Center  
to obtain  
free information and  
materials and to speak  
with trained staff  
members about the  
state and federal student  
financial assistance  
programs listed on  
this page.**

**(573) 751-3940**



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A Parent's Guide for Student Academic Achievement and Financial Assistance

**RATED PG: parental guidance suggested** is published three times each year by Missouri Student Assistance Resource Services (MOSTARS) and the Missouri Higher Education Loan Authority (MOHELA) for parents of Missouri high school freshmen and sophomores. Editorial content for this publication is shared by the commissioner of higher education and MOHELA.

High school counselors may photocopy issues of **RATED PG** after placing the following information on an original copy:  
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For more information about this publication and about items and articles printed in this newsletter, please write or call:

**Missouri Student Assistance Resource Services  
Information Service Center**

**3515 Amazonas Drive  
Jefferson City, MO 65109  
(800) 473-6757 or (573) 751-3940**

OR

**Missouri Higher Education Loan Authority  
Corporate Plaza  
14528 South Outer Forty Drive  
Chesterfield, MO 63017  
(314) 469-0600 or (800) 666-4352**



The Missouri Department of Higher Education makes every effort to provide program accessibility to all citizens without regard to disability. If you require this publication in an alternate form, please contact the MOSTARS Information Service Center at (800) 473-6757 or (573) 751-3940. Hearing/speech impaired may call (800) 735-2966.

# Student Financial Aid Glossary

## FAFSA

All students seeking financial assistance **MUST** fill out the Free Application for Federal Student Aid (FAFSA).

## EXPECTED FAMILY CONTRIBUTION (EFC)

Amount parents and student can reasonably be expected to pay toward the cost of attendance. Amount is based on a federal analysis of the family's financial information reported on the FAFSA.

## COST OF ATTENDANCE

An estimate of a student's educational expenses for the period of enrollment.

## FINANCIAL NEED

The difference between a student's cost of attendance and expected family contribution. Most financial aid is awarded on the basis of need.

## POSTSECONDARY INSTITUTION

Any educational institution offering a course of study beyond the high school level.

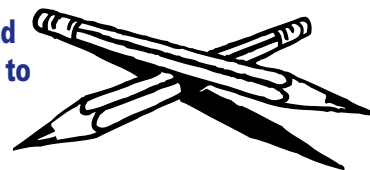
## LENDER

Banks, savings and loan associations, and credit unions that provide the actual student loan funds for the federal loan programs.

## MOSTARS

A division of the Missouri Department of Higher Education which administers state grant, scholarship, and loan programs, and provides statewide services and free information to Missouri families regarding postsecondary education.

**These common terms and definitions will be useful to parents and students.**



## GRANT

Award (gift of aid usually based on financial need) that does not need to be repaid.

## SCHOLARSHIP

Monetary gift that does not need to be repaid. Usually awarded for outstanding academic achievement, scholarships are sometimes based on financial need. Other awards may be based on ability and talent rather than need.

## WORK-STUDY

Financial aid that enables students to earn a portion of school costs through employment. Work-study may be a part of a financial aid package offered by the postsecondary institution.

## LOAN

Money borrowed that is repayable with interest. You must repay loans even if you do not complete or are dissatisfied with your education.

## GRACE PERIOD

A period of time before the borrower must begin repaying loan(s).

## REPAYMENT

Period of time after the grace period when borrowers must begin making monthly payments on their student loan(s).

## DEFAULT

When the borrower is 270 days delinquent in making student loan payments.

## Are today's students financially literate?

**F**inancial literacy is a problem facing many young American people today. Studies show that high school students lack most of the necessary financial skills required to live independently, including regular skills such as balancing a checkbook or paying taxes. This problem is becoming more evident in the postsecondary environment where college students are relying on credit cards more than ever before. Some college students receive as many as two or three "student" credit offers

each week and many do not understand the implications of credit card debt.

How large is the problem? Recent national surveys of 12th graders looked at students' knowledge in four different areas: income, money management, saving and investment, and spending. Half of the participants did not believe that interest earnings on savings accounts could be taxed.

## The Missouri Higher Education Loan Authority

**T**he Missouri Higher Education Loan Authority (MOHELA) is a not-for-profit financial entity. Each year, MOHELA assists in the origination of loans with client lending institutions. MOHELA also purchases loans from lending institutions and then services the loan(s) of those borrowers during the repayment period. MOHELA serves as the origination and servicing agent for most private lenders in Missouri, and is the only Missouri-based secondary market.

MOHELA maintains a partnership role with private lenders in developing programs that make loan funds available to Missourians for postsecondary education. The cost of college makes federal loan programs an important supplement to educational finance. By going to the bond markets, MOHELA raises money that will, in turn, assist students and parents.

If you are a parent with a student who has already enrolled in or completed college, or if you have outstanding education loans, contact MOHELA about loan consolidation by calling its loan consolidation hotline at (800) 666-4352, ext. 3444, today. ❖

## Financial Literacy, from page 3

More than half chose a U.S. Government savings bonds over stocks as the preferred method of savings for college (less than 15 percent thought that stocks would have the highest growth over 18 years). And more than half of the participants believed they would not require their own health insurance plans, as they would be covered under their parents' plans until they left home or were married, regardless of their age.

What can you, as parents, do to help your students? These surveys revealed another important fact: nearly 60 percent of survey participants said they learned about financing *at home* – more than from school, friends or the media. Parents may want to take advantage of this position to ensure that their students will not be faced with financial issues in the future.

Many parents may feel that the family's financial situation is private. There are, however, some things you can do to help your students while maintaining privacy. First, talk to your students about money or involve them in a family's financial decision. Provide an allowance to your students (even an older child may be interested in earning extra money for

helping around the house).

Discuss your student's savings plan, look over monthly statements and discuss interest earnings and tax effects. For example, a different type of allowance policy may be a learning experience: after your child earns his "income," withhold an appropriate portion for taxes. If your student asks for an advance on the allowance, charge interest and demonstrate how interest accrues.

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Parents may also encourage their students to attend personal finance classes, both in high school and in college. It may be beneficial for you to attend a class with your student. If your high school does not offer such classes, encourage your PTO or PTA to get classes started. You may also check into associations such as 4-H, Future Business Leaders of America (FBLA) or Junior Achievement.

In response to the need for financial literacy education, MOSTARS formed the statewide Default Prevention Task Force. The task force has recommended several possible measures to increase awareness of financial management at an earlier age, including initiating consumer finance classes in the K-12 level. ❖

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